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THE CROW'S NEST PASS COAL COMPANY, LIMITED
FERNIE, BRITISH COLUMBIA

ANNUAL REPORT

FOR

YEAR ENDED DECEMBER 31, 1937.

BOARD OF DIRECTORS

H. P. Wilson
L. C. Gilman
Erasmus C. Lindley

Thomas Balmer
James T. Maher
Dr. G. W. Howland

F. D. Pratt

EXECUTIVE COMMITTEE

Thomas Balmer, Chairman

H. P. Wilson
James T. Maher

L. C. Gilman
F. D. Pratt

OFFICERS

H. P. Wilson	President & General Manager
Thomas Balmer	First Vice President
L. C. Gilman	Second Vice President
Geo. H. Hess, Jr.	Comptroller
A. A. Klauer	Treasurer
J. S. Irvine	Secretary
Welch, Anderson & Company	Auditors

TRANSFER AGENTS

Toronto General Trusts Corporation, Toronto, Ont.

Bankers Trust Company, New York N.Y.

REGISTRARS

National Trust Company, Limited, Toronto, Ont.

Central Hanover Bank & Trust Co., New York, N.Y.

Fernie, British Columbia,
March 10, 1938.

TO THE SHAREHOLDERS OF
THE CROW'S NEST PASS COAL COMPANY, LIMITED :

Herewith is submitted the Annual Report of your Company for the year ended December 31, 1937.

There is included a Balance Sheet as of December 31, 1937; also statement of Income and Surplus account, together with a certificate from your Auditors, Messrs. Welch, Anderson & Company.

The operations were affected by a very disastrous fire which occurred at Michel in the early morning hours of October 25th and totally destroyed your tipple, wet-washing plant and dryers, air-cleaning plant and slack bins. Fire Insurance was recovered based on the estimated depreciated value of the property destroyed. Use and Occupancy insurance is also carried and a settlement under the same, was arrived at on February 19, 1938. The exact amount applicable to profits will not become known until the temporary tipple has been dismantled and the amount of salvage ascertained.

The profit from all sources after depreciation and depletion, but without including any amount which will be credited to profits from the use and occupancy insurance, amounted to \$109,794.77.

This is a decrease of \$168,335.39 compared to 1936 and is largely due to stoppage of production at Michel immediately following the fire, although as much of the tonnage as possible was transferred to Coal Creek, and as soon as the work of clearing away the ruins had sufficiently advanced, a temporary plant was constructed so that restricted operation of the Michel mines was resumed December 15. Plans are under way for the erection of a new permanent tipple, cleaning plant and slack storage bins which are expected to be ready for operation the coming summer.

There was expended on Capital account, during the year, the sum of \$168,803.59. Sales of material realized \$8,093.55. This does not include the adjustment for the property destroyed by the fire previously referred to.

Distributions to shareholders during the year amounted to \$279,531.00 equivalent to \$4.50 per share of stock outstanding at the end of the year. According to the books of account, these distributions were paid from the following sources :

Earned profits (exhausting the entire balance of profit and loss account to December 31, 1936)	\$278,130.16
Depreciation and depletion reserve funds	1,400.84

The operating loss for the year of the two subsidiaries, the Crow's Nest Pass Electric Light & Power Company, Limited, and the Morrissey, Fernie & Michel Railway Company, after depreciation, was \$9,410.61 and \$61,109.36 respectively.

Coal mined amounted to 494,571 tons, as compared with 514,163 tons in 1936.

The coke production amounted to 48,394 tons, as compared with 34,009 tons in 1936.

The Michel Colliery worked 216½ days, as against 239 days in 1936. The Coal Creek Colliery worked 174 days as compared with 165 days in 1936.

By Order of the Board of Directors,

H. P. WILSON,
President.

AUDITORS' REPORT AND CERTIFICATE

Toronto, Canada,
February 3rd, 1938.

To the Shareholders,

THE CROW'S NEST PASS COAL COMPANY, LIMITED,
Ferne, B.C.

We report that we have audited the books and accounts of your Company for the year ended December 31st, 1937 and certify that we have obtained all the information and explanations required.

We confirmed the securities of the Company held for safekeeping by the Imperial Bank of Canada, Vancouver Branch, by certificate from the depository.

The cash and bank balances were verified, either by actual count or by certificates from the depositories.

The accounts receivable have not been verified by direct communication with the debtors.

Investment in subsidiaries appears at \$508,796.98 in comparison with \$758,796.98 at December 31st, 1936. The reduction is due to the retirement by The Crow's Nest Pass Electric Light and Power Company, Limited of \$250,000.00 of its capital stock, which was owned by your Company; otherwise the investment is shown at cost on the accompanying balance sheet. Deficits of your subsidiaries, amounting to \$467,871.63, have not been provided for in your accounts.

Actual expenditures made since the fire at Michel on October 25th, 1937, which are covered under the Use and Occupancy insurance carried by the Company, are shown as a suspense asset on the balance sheet. This insurance also covers certain losses of profits due to fire, but as the recoverable amount has not yet been accurately determined, no estimate of such recoverable losses from the date of the fire until December 31st, 1937 is included in the income account.

We further certify that the accompanying balance sheet is, in our opinion, so drawn as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information, the explanations given us and as shown by the books of the Company.

WELCH, ANDERSON & COMPANY,

Chartered Accountants.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

BALANCE SHEET — DECEMBER, 31st, 1937.

ASSETS

Cash on hand and in banks	\$ 637,586.73	
Accounts receivable	145,284.72	
Coal and mine supplies—at cost or useful values	154,872.09	
Bonds and shares (market value \$945,063.00) at cost	890,706.08	
Bonds and shares (no established market value) at cost, less amounts written off	751.00	
		<u>1,829,200.62</u>
Imperial Bank of Canada, Fernie, Dividend Account To provide for issued and outstanding dividend cheques, per contra		87,239.93
Suspense Account : Actual expenditure to date and recoverable under Use and Occupancy insurance, but not including any estimate for loss of profits due to fire at Michel on October 25th, 1937		89,963.01
Accounts receivable — subsidiary — wholly owned Companies ..	22,741.41	
Shares of wholly owned subsidiary companies	508,796.98	
		<u>531,538.39</u>
Mines, real estate, buildings, plant and equipment at cost less amounts written off to reserves	5,329,142.06	
Less : Reserves for depletion and depreciation	2,565,709.33	
		<u>2,763,432.73</u>
Prepaid expenses		<u>2,731.24</u>
		<u>5,304,105.92</u>
Total		

LIABILITIES

Accounts payable—including accrued wages	34,370.17	
Accrued taxes and assessments	1,919.81	
Provision for Dominion of Canada 1937 Income Tax	24,784.18	
		<u>61,074.16</u>
Dividend cheques issued and outstanding — per contra		87,239.93
Deferred credit		784.00
Capital—authorized \$10,000,000.00 divided into 100,000 shares of the par value of \$100.00 each — subscribed and paid up	6,212,666.66	
Deficit—December 31st, 1937 as shown on accompanying state- ment	1,057,658.83	
		<u>5,155,007.83</u>
		<u>5,304,105.92</u>
Total		

This is Balance Sheet referred to in Auditors' report dated
February 3rd, 1938.

Signed on behalf of the Board : Thomas Balmer, Director.
James T. Maher, Director.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

STATEMENT OF INCOME

For the Year Ended December 31st, 1937.

Profit on coal and coke operations	\$ 336,546.62
Less : Executive officers' salaries	\$ 34,819.93
Counsel and legal fees	2,755.75
Directors' fees	4,000.00
Provision for depreciation	120,358.61
Provision for depletion	49,496.31
	211,430.60
	125,116.02
Other Income—Ordinary	
Interest on securities—after amortization of investments	
\$4,336.25	21,193.30
Interest on bank balances, exchange, etc.—net	1,700.70
Accounts receivable written off and recovered—net	86.18
Sundry income—net	12,015.90
	34,996.08
Non-Recurring Charges	160,112.10
Investment in stocks with no established market value—	
written down	13,099.00
Less : Profit on sale of securities	1,578.74
	11,520.26
Profit Before Providing For Income Tax	148,591.84
Less : Provision for income tax (1937) and adjustment of same	
for former years	38,797.07
Net Profit For Year	109,794.77

STATEMENT OF DEFICIT — DECEMBER 31st, 1937

Distribution to shareholders to December 31st, 1936, from funds	
derived through creation of Reserves for Depreciation and	
Depletion	1,166,052.76
Add : Dividends declared and paid in year 1937	279,531.00
Less : Profits for the year ended December 31st, 1936	278,130.16
	1,400.84
Total	(x) 1,167,453.60
Less : Profit for year ended December 31st, 1937	109,794.77
Deficit—December 31st, 1937, as shown on Balance Sheet	1,057,658.83

(x) This amount represents distributions paid to Shareholders to date under powers conferred on the Company by Section 83, s. s. 4, of the Dominion Companies Act, from funds derived through setting up reserves for depreciation and depletion.

